

## EASTERN & ORIENTAL BERHAD (“E&O” OR “COMPANY”)

### ACQUISITION OF THE REMAINING 40% SHAREHOLDING OR 14,000 ORDINARY SHARES IN E&O-PDC HOLDINGS SDN BHD (“E&O-PDC”) BY KAMUNTING MANAGEMENT SERVICES SDN BHD (“KAMUNTING”), AN INDIRECT SUBSIDIARY OF E&O, FOR A TOTAL PURCHASE CONSIDERATION OF RM46,950,000.00 TO BE SATISFIED IN CASH (“ACQUISITION”)

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#### 1. INTRODUCTION

Pursuant to Paragraph 10.06 of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“MMLR”), the Board of Directors of E&O wishes to announce that Kamunting (“Purchaser”) (Registration No. 198801000608 (167965-W)), an indirect wholly-owned subsidiary of E&O, had on 28 March 2023 entered into a Share Sale Agreement (“SSA”) with Penang Development Corporation (“PDC” or “Vendor”), for the acquisition of the remaining 40% of the issued share capital in E&O-PDC, comprising 14,000 ordinary shares (“Sale Shares”) for a total purchase consideration of RM46,950,000.00 which will be satisfied in cash (“Consideration”).

Further details on the Acquisition are set out in the ensuing sections.

#### 2. DETAILS OF THE ACQUISITION

The Purchaser is currently the registered owner of 21,000 ordinary shares equivalent to 60% of the shareholding in E&O-PDC. The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on the terms and conditions contained in the SSA. Upon completion of the Acquisition, E&O-PDC will become a wholly-owned indirect subsidiary of E&O.

##### 2.1 Information on E&O-PDC

E&O-PDC was incorporated in Malaysia on 21 February 1983 under the Companies Act 1965. The nature of business of E&O-PDC is investment holding. The issued share capital of E&O-PDC is RM35,000, comprising of 35,000 ordinary shares.

The Shareholders of E&O-PDC are as follows: -

<u>Shareholders</u>	<u>Before Acquisition</u>		<u>After Acquisition</u>	
	<u>No of Shares</u>	<u>%</u>	<u>No of Shares</u>	<u>%</u>
Kamunting	21,000	60	35,000	100
PDC	14,000	40	-	-
	<b>35,000</b>	<b>100</b>	<b>35,000</b>	<b>100</b>

The current Directors of E&O-PDC are as follows: -

**Board of Directors**

Datuk Tee Eng Ho

Kok Tuck Cheong

Tan Hwee Hian

\*Dato' Aziz Bin Bakar

\*Saari Bin Din

*\*Nominee directors of PDC.*

**2.2 Information on Kamunting**

Kamunting was incorporated in Malaysia on 21 January 1988 under the Companies Act 1965. The nature of business of Kamunting is investment holding. Kamunting has total issued and paid up share capital of RM78,407,150, comprising of 100,000 ordinary shares and 78,306 redeemable preference shares. Kamunting is a wholly-owned subsidiary of E&O Property Development Berhad, which in turn, is a wholly-owned subsidiary of E&O.

The current Directors of Kamunting are Datuk Tee Eng Ho, Kok Tuck Cheong and Tee Eng Seng.

**2.3 Information on PDC**

PDC is a body corporate incorporated on 17 November 1969 under the Penang Development Corporation Enactment, 1971 and having its registered office at Bangunan Tun Dr Lim Chong Eu, No. 1, Persiaran Mahsuri, Bandar Bayan Baru, 11909 Bayan Lepas, Penang. PDC is a premier development agency of Penang State Government. Its main activities include being a state government think tank, industrial park development, township development, urban redevelopment, affordable housing and investment.

Its current board members are Chow Kon Yeow, Dato' IR Hj Ahmad Zakiyuddin Bin Abd Rahman, Prof Dr P Ramasamy A/L Palanisamy, Jagdeep Singh Deo A/L Karpal Singh, Zairil Bin Khir Johari, Dato' Haji Abdul Halim bin Haji Hussain, Dato' Seri Lee Kah Choon, Zabidah Binti Safar, Datuk Hanafi Bin Sakri, Norul Farhah Binti Mustapha and Mohd Sukri Bin Mat Jusoh.

**2.4 Details of Acquisition**

**2.4.1 Salient Terms of the SSA**

Pursuant to the SSA, the Consideration to be satisfied by the Purchaser in cash in the following manner: -

- (a) The deposit sum of RM4,695,000.00 less 3% tax retention sum of the Consideration, pursuant to Section 21B of the Real Property Gains Tax Act, 1976 (“**the Deposit**”) shall be paid by the Purchaser to the Vendor upon execution of the SSA.
- (b) The balance sum of RM42,255,000.00 (“**the Balance 90% of the Consideration**”) shall be paid by the Purchaser to the Vendor within 90 days from the date of fulfillment of the last of the conditions precedent.

#### **2.4.2 Conditions Precedent**

The transaction is conditional upon and subject to the fulfilment of the following conditions precedent:

- (a) the approval of the board of directors and/or members of the Purchaser for the Acquisition upon execution of this Agreement; and
- (b) the Vendor obtaining the Ministry of Finance (“MOF”) approval for the disposal of the Sale Shares to the Purchaser.

(collectively, “**Conditions Precedent**”)

In the event that any of the Conditions Precedent is not fulfilled within the stipulated cut-off date which is 6 months from the date of the SSA or any extended period that may be mutually agreed to between the parties, the SSA shall be automatically lapse and be of no further effect and thereafter the Vendor shall refund to the Purchaser the Deposit free of interest within 14 working days from the date of receipt of the Purchaser’s notice of termination due to non-fulfilment of the Conditions Precedent.

#### **2.4.3 Basis of Consideration**

The Consideration was based on a “willing-buyer willing-seller” basis.

#### **2.4.4 Mode of Satisfaction of the Consideration**

The Consideration will be satisfied in cash by honoring the payment of Deposit and the Balance 90% of the Consideration of RM4,695,000.00 (less 3% tax retention sum of the Consideration, pursuant to Section 21B of the Real Property Gains Tax Act, 1976) and RM42,255,000.00, respectively.

#### **2.4.5 Source of Funds**

The source of funds will be from internally generated funds, advance from its shareholders and/ or external borrowings, the breakdown of which cannot be determined at this juncture.

### **3. RATIONALE**

E&O Group is principally involved in property development, property investment and the hospitality industry. The E&O Group's businesses span across several area, namely Kuala Lumpur, Penang, Johor and the United Kingdom.

E&O-PDC owns 30% of Tanjung Pinang Development Sdn Bhd ("TPD") while the remaining 70% is held by Permaijana Ribu (M) Sdn Bhd, a wholly-owned indirect subsidiary of E&O. TPD holds the concession rights to the reclamation and development of Seri Tanjung Pinang which encompasses 1000 acres in Tanjung Tokong Penang. So far, the reclamation and development of the first phase of 240 acres has been completed. The reclamation for the second phase called Andaman Island Phase 1 of 253 acres has been completed with the first project called the Meg commenced selling in January 2022. Reclamation of Andaman Island Phase 2 is ongoing and expected to be completed in 3 years.

The Acquisition of 40% shareholding in E&O-PDC from PDC will enable E&O to own 100% shareholding in TPD where the main development activities for E&O Group will be concentrated on over the next 30 years.

### **4. PENANG PROPERTY OUTLOOK AND E&O GROUP PROPECTS**

#### **4.1 Overview and outlook for the property sector in Penang**

The performance of the property market in Penang showing a recovery driven by growth in market activity. There were 23,481 transactions worth RM13.38 billion in 2022, substantially increased by 34.0% and 28.0% in volume and value respectively. Residential sub-sector continued to lead the overall market, accounting for 76.2% of the total transactions within the state, followed by commercial (8.4%), agriculture (7.6%), development land and others (5.6%) and industrial (2.2%).

Market movements across all sub-sectors were on the uptrend, where agriculture led the increase with 56.2% , followed by commercial (55.5%), residential (31.1%), development land & others (30.7%) and industrial (12.5%). In term of value, all subsectors recorded upward.

The state's property market would remain on a positive path backed by various ongoing and proposed development projects. The 2023 Penang state's budget with the total of RM989.47 million to ensure continuity of all high-impact development projects planned to stimulate the state's economic recovery.

(Source: Property Market Report 2022 for Pulau Pinang by NAPIC Valuation and Property Services Department of Ministry of Finance)

#### **4.2 Prospects of the Group**

The expected successful Acquisition of E&O-PDC by the E&O Group will result in E&O gaining full control of TPD, an indirect subsidiary of the E&O Group responsible for the reclamation work on Andaman Island.

The E&O Group plans to initiate the development of Andaman Island Phase 1 over the next 15 years, with a projected GDV of RM17 billion. The first project, The Meg has been available for sale since January 2022 and has achieved a 100% sales rate as of January 2023. It is located in the prime Tanjung Tokong area near Gurney Drive and comprises two residential apartment blocks with approximately 1,020 units.

The reclamation of Andaman Island Phase 2 has begun and is expected to take 6 years, providing a future land bank for development in the prime North-East district of Penang. As a result, the E&O Group believes that Andaman Island will play a significant role in driving its growth trajectory in Penang in the coming years.

Given the above, the Board believes that the Acquisition will have a positive impact on the E&O Group's future earnings and long-term growth prospects.

(Source: The management of E&O)

#### **5. RISK FACTOR**

The Board does not foresee any material risk pursuant to the Acquisition except for the inherent risk factors associated with reclamation and property development, of which E&O Group is already involved and would already be addressed as part of E&O Group's ordinary course of business. Notwithstanding that, the potential risks that may have an impact on E&O Group pursuant to the Acquisition, which may not be exhaustive, are as set out below: -

## **5.1 Acquisition risk**

There is no assurance that the anticipated benefits arising from the Acquisition will be realized or that E&O-PDC will be able to generate sufficient returns to E&O Group. Notwithstanding that, the Board will seek to mitigate such risks by conducting periodic assessments and reviews and to monitor the financial performance in order to make the necessary investment decision on E&O-PDC.

## **5.2 Completion risk**

The completion of the Acquisition is subject to, amongst others, the fulfilment of the Conditions Precedent. In the event any of the Conditions Precedent are not fulfilled, the Acquisition may not proceed to completion, which may result in the failure of the E&O Group to achieve the objectives and benefits of the Acquisition.

Notwithstanding that, the Board and management of the Company shall use their best endeavors to ensure every effort is taken to procure all necessary approvals to satisfy the Conditions Precedent within the stipulated timeframe.

## **6. EFFECTS**

### **6.1 Share Capital and Substantial Shareholder's Shareholdings**

The Acquisition will not have any material effect on the issued share capital of E&O and the shareholdings of the substantial shareholders of E&O.

### **6.2 Net Assets, Net Assets per share and gearing**

The Acquisition is not expected to have any material effect on the net assets, net assets per share and gearing of the E&O Group for the financial year ending 31 March 2023.

### **6.3 Earnings and Earnings per share**

The Acquisition is not expected to have any material effect on the E&O Group's earnings and earnings per share for the financial year ending 31 March 2023.

## **7. APPROVALS REQUIRED**

The Acquisition is not subject to the approval of the shareholders of E&O and any other Government authority. The Acquisition is also not conditional upon any corporate proposal/exercise of E&O.

## **8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM**

None of the Directors and major shareholders of E&O and/or persons connected with them have any interest, direct or indirect, in the Acquisition.

## **9. PERCENTAGE RATIO UNDER PARAGRAPH 10.02(G) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS**

The highest percentage ratio applicable to the Acquisition pursuant to the MMLR is 5.12%, based on the E&O Group's consolidated audited financial statements as at 31 March 2022.

## **10. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Acquisition is expected to be completed by December 2023.

## **11. DIRECTOR'S STATEMENT**

After examining all aspects of the Acquisition, the Board has determined that the Acquisition is in the best interest of the Group.

## **12. DOCUMENT FOR INSPECTION**

Copies of the SSA is available for inspection at the registered office of E&O at Level 3A (Annexe), Menara Milenium, 8 Jalan Damanlela, Damansara Heights, 50490 Kuala Lumpur, Malaysia, during business hours from 9.00 a.m. to 6.00 p.m. from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

**This announcement is dated 28 March 2023.**